TAXPAYER REFUND ACT/Tax Relief Sunset in 2009

SUBJECT: **Taxpayer Refund Act of 1999 . . . S. 1429. Roth motion to waive section 313(b)(1)(e) of the Budget Act for the consideration of the bill, any conference report thereon, any amendments between the Houses, and any amendments reported in disagreement.**

ACTION: MOTION REJECTED, 51-48

SYNOPSIS: As reported, S. 1429, the Taxpayer Refund Act of 1999, will give back to the American people $792 billion of the $3.3 trillion in surplus taxes that the Congressional Budget Office (CBO) has projected that the Federal Government will collect over the next 10 years. The projection is based on assumptions of 2.4-percent average annual growth in the economy, no growth in discretionary spending after 2002, and entitlement spending growth as required under current law. Approximately $1.9 trillion of the surpluses will be Social Security surpluses (Republicans have been attempting to defeat a Democratic filibuster of a proposal to protect those surpluses from being spent; see vote Nos. 90, 96, 166, 170, 193, and 211). After protecting the Social Security surpluses and providing tax relief of $792 billion, $505 billion will remain for additional spending or debt reduction. The average growth rate over the past 50 years has been 3.4 percent. The current growth rate is around 4 percent. If the 3.4-percent average rate is maintained for the next 10 years, then (using the CBO rule-of-thumb chart from Appendix C of the January 1999 Economic and Budget Outlook) the surplus will be roughly $4.9 trillion, not $3.3 trillion. Key tax relief provisions include that the bottom tax rate will be lowered to 14 percent and expanded (providing $297.5 billion in tax relief over 10 years) and the tax burden on families will be cut (providing $221.7 billion in tax relief). Tax relief will also be given to encourage saving for retirement, to make education and health care more affordable, to lower death taxes, and to lower taxes on small businesses.

Section 1501 provides that the tax relief provisions in this bill will expire on September 30, 2009, and section 1502 provides that they will resume on October 1, 2009.

During debate, Senator Lott raised a point of order that section 1502 violated section 313(b)(1)(e) of the Budget Act. Senator Roth then moved to waive that section for the consideration of the bill, any conference report thereon, any amendments thereon between the Houses, and any amendments thereon reported in disagreement. Section 313(b)(1)(e) forbids a reconciliation bill from

(See other side)

YEAS (51)			NAYS (48)			NOT VOTING (1)	
Republicans (51 or 94%)		**Democrats (0 or 0%)**	**Republicans (3 or 6%)**	**Democrats (45 or 100%)**		**Republicans (1)**	**Democrats (0)**
Abraham	Helms		Collins	Akaka	Kennedy	Voinovich-[2]	
Allard	Hutchinson		Snowe	Baucus	Kerrey		
Ashcroft	Hutchison		Specter	Bayh	Kerry		
Bennett	Inhofe			Biden	Kohl		
Bond	Jeffords			Bingaman	Landrieu		
Brownback	Kyl			Boxer	Lautenberg		
Bunning	Lott			Breaux	Leahy		
Burns	Lugar			Bryan	Levin		
Campbell	Mack			Byrd	Lieberman		
Chafee	McCain			Cleland	Lincoln		
Cochran	McConnell			Conrad	Mikulski		
Coverdell	Murkowski			Daschle	Moynihan		
Craig	Nickles			Dodd	Murray		
Crapo	Roberts			Dorgan	Reed		
DeWine	Roth			Durbin	Reid		
Domenici	Santorum			Edwards	Robb		
Enzi	Sessions			Feingold	Rockefeller		
Fitzgerald	Shelby			Feinstein	Sarbanes		
Frist	Smith, Bob (I)			Graham	Schumer		
Gorton	Smith, Gordon			Harkin	Torricelli		
Gramm	Stevens			Hollings	Wellstone		
Grams	Thomas			Inouye	Wyden		
Grassley	Thompson			Johnson			
Gregg	Thurmond						
Hagel	Warner						
Hatch							

EXPLANATION OF ABSENCE:
1—Official Business
2—Necessarily Absent
3—Illness
4—Other

SYMBOLS:
AY—Announced Yea
AN—Announced Nay
PY—Paired Yea
PN—Paired Nay

giving net tax relief in any year or years in excess of the net tax relief, if any, that it was instructed to give.

NOTE: A motion to waive section 313(b)(1)(e) of the Budget Act requires a three-fifths majority (60) vote to succeed. After the vote, the point of order was upheld and section 1502 thus fell.

Those favoring the motion to waive contended:

Section 313(b)(1)(e) of the so-called "Byrd rule" was enacted in an era of deficit spending. Its purpose was to prevent the enactment of reconciliation legislation that would supposedly make the deficit worse. For instance, the Finance Committee could be given instructions to report back a bill that would cut taxes in a particular year by $100 million, without providing any permanent offsets, but when it reported that bill back it could not have the cut be permanent, giving $100 million in tax relief every year without any offsets. Basically, the idea of this section was that Democrats wanted to make sure that permanent tax cuts were not enacted that would take away some of the money they had to spend each year. If such cuts were passed, the only way (in Democrats' minds) that a decrease in annual revenue would not make the deficit worse would be if spending were then cut, and under no circumstances did they want to have to reduce the amount of money they spent each year.

Republicans, on the other hand, have always rejected the Democrats' theory about tax cuts because it has a fatal flaw: it does not fit in with experience. Republicans understand that large tax cuts historically have resulted in greater economic growth and net increases in tax collections, but no Democrat since President Kennedy has seemed to be able to understand this fact (President Kennedy, like Republicans, enacted a large tax cut in order to stimulate the economy and increase net tax collections; that tax cut, like Republican tax cuts, had the intended effect). Nevertheless, Republicans have seen the Byrd rule as beneficial. Reconciliation bills are considered under expedited procedures; without the rule, it would be possible to slip through major changes in tax laws that had not been thoroughly considered. Congress, when it acts, should at least know what it is doing.

Whether one agrees with Democrats or Republicans on the results of tax cuts, and despite the general merit that the application of the Byrd rule has had, in this case adhering to that rule would be anachronistic. In this case we are not talking about deficit spending; we are talking about giving back excess taxes that have been collected. The purpose of the Byrd rule, whether its reasoning is flawed or not, is to stop the growth of deficits, not to prevent the Government from giving back surpluses that it has taken from the American people. Even when the deficits were being run it was always understood, in general, that when tax relief was provided it would be permanent. For instance, when Republicans were finally able to overcome Democrat's objections to a $500 per child tax credit a couple of years ago, no one on either side ever suggested that it should be a temporary tax relief measure.

The senior Senator from New York began his comments on this bill by stating that he would eventually raise this Byrd rule point of order. Rather than waiting for him to act, we have made the point of order ourselves and have moved to waive it. We doubt that we will succeed; Democrats have indicated that they intend to vote against the motion. In voting against the motion, Democrats are saying that they favor temporary tax relief, and then a massive tax increase after 10 years. We suppose that such a proposal is difficult for them to resist. Democrats love to raise taxes but they do not like the reaction of the voters; in this case, they will be safe from the voters' wrath for least 10 years. The question posed by this vote is simple: should the tax relief in this bill be temporary, or should it be permanent? We vote for the latter.

Those opposing the motion to waive contended:

Argument 1:

This motion is reckless. If we pass this bill, the Federal Government will lose nearly $1 trillion in revenue in the first 10 years from the tax cuts and from the higher interest payments on the debt it will have to make because it did not save that money to pay down the debt. If we kept that money, we would pay down the debt and would make needed Government investments in Medicare and social programs. As bad as that proposal is, one little provision in this bill would make matters much worse–it would extend the tax cuts past 10 years. According to the Treasury Department, if these tax cuts stayed in place just another 10 years, they would cause an additional loss of $1.9 trillion in tax collections, and an additional loss of $1.1 trillion in higher interest payments. Thus, voting for this motion to waive is a $3 trillion vote to take away money that should be used to pay down the debt and spent on needed investments in the people of America. Making matters even worse, it is a vote to give away $3 trillion we may not even end up having. If the economy gets worse, every penny of that $3 trillion in money that Republicans want to give away may be added to the debt for our children or grandchildren to someday pay. This proposal is dangerous. We strongly oppose the motion to waive.

Argument 2:

We support the bill as it is presently drafted. We agree that the tax relief that it contains should be permanent. However, the motion to waive that we are being asked to support will apply to the conference report on this bill as well. We have no idea what that conference report may contain. It may have completely unsupportable provisions. We are not about to vote to support any permanent tax cuts that may come out of conference. Therefore, we must oppose the motion to waive.